TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1321 – SB 1343

April 13, 2015

SUMMARY OF ORIGINAL BILL: Requires motor vehicle dealers to maintain records for the disposition of waste tires originating from the motor vehicle dealer for no less than two years. Requires records to be available to the Department of Environment and Conservation (TDEC) for review. Urges TDEC to determine the number of waste tires originating from sources other than tire dealers and distributed to waste tire collection sites.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – To the extent the Department of Environment and Conservation elects to study the number of waste tires originating from sources other than tire dealers that are subsequently distributed to waste tire collection sites, the one-time increase in state expenditures from the Solid Waste Management Fund is estimated to be $25,900.

SUMMARY OF AMENDMENT (006306): Deletes all language of the original bill. Enacts the "Tire Environmental Act" that imposes a tire environmental fee on each purchase of a new motor vehicle to be titled and registered in Tennessee. Requires the fee be collected by the seller at the time of purchase. Requires collected fees be remitted to the Department of Revenue in a manner prescribed by the Commissioner of the Department of Environment and Conservation (TDEC). Requires all fees collected to be deposited into the Tire Environmental Fund after the amount to cover the actual expenses of administration by TDEC is paid. Requires fees to be exempt from sales and use tax, and business tax liability. Creates an account in State Treasury known as the Tire Environmental Fund where funds are used by TDEC in accordance with Tenn. Code. Ann. § 68-211-1105 and authorizes moneys in the fund to be invested by the State Treasurer in accordance with Tenn. Code. Ann. § 9-4-602. Requires all balances and interests to be carried forward and not revert to the General Fund. Requires TDEC to administer a tire environmental program with moneys available from the fund as appropriated by the General Assembly. Authorizes the tire environmental program to include: (1) grants to develop and implement programs to provide direct incentives to local governments, for-profit entities, and nonprofit entities to enhance collection, transportation, and processing related to further encourage Tennessee end-markets for waste tires; (2) grants, subsidies, or loans, to encourage research, technologies, or processes for waste tire management; (3) creation of a database and operation of an interactive information clearinghouse, and (4) market development services. Requires program expenditures be reported to the Office of Legislative Budget Analysis and the Chairs of the Transportation Committee of the House of Representatives, and the Chairs of the Finance, Ways and Means Committees of the Senate and House of Representatives on a quarterly basis.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –
$1,125,000/Tire Environmental Fund/FY15-16
$1,500,000/Tire Environmental Fund/FY16-17 and Subsequent Years

Forgone State Revenue –
$78,800/General Fund/FY15-16
$105,000/General Fund/FY16-17 and Subsequent Years

Increase State Expenditures –
$1,125,000/Tire Environmental Fund/FY15-16
$1,500,000/Tire Environmental Fund/FY16-17 and Subsequent Years

Forgone Local Revenue –
$28,100/FY15-16
$37,500/FY16-17 and Subsequent Years

Other Fiscal Impact – Local governments could receive some portion of the funds expended from the Tire Environmental Fund through grants; the extent of any such grants made to local governments is unknown.

Assumptions for the bill as amended:

- The effective date of this amended bill is October 1, 2015.
- According to the Department of Revenue (DOR), this amendment creates the following tire environmental fee structure on the purchase of a new motor vehicle:
    - $5.00 for a motor vehicle with four wheels or fewer;
    - $10.00 for a motor vehicle with more than four but fewer than 11 wheels; and
    - $15.00 for a motor vehicle with 11 or more wheels.
- According to DOR, it is estimated that motor vehicles with four or more wheels or fewer is 250,000; with more than four but fewer than 11 wheels is 25,000; and with 11 or more wheels is not a significant number.
- The recurring increase in state revenue to the Tire Environmental Fund (TEF) is estimated to be $1,500,000 [(250,000 x $5.00) + (25,000 x $10.00)] beginning in FY16-17. Due to the October 1, 2015 effective date, the increase in state revenue to the TEF in FY15-16 is estimated to be $1,125,000 ($1,500,000 x 75%).
- Given the new tire fees are exempted from sales and use tax, there will also be forgone revenue to state and local government.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate is estimated to be 2.5 percent.
- Recurring forgone state revenue beginning in FY16-17 is estimated to be $105,000 ($1,500,000 x 7.0%); forgone state revenue in FY15-16 is estimated to be $78,750 ($105,000 x 75%).

- Recurring forgone local revenue beginning in FY16-17 is estimated to be $37,500 ($1,500,000 x 2.5%); forgone local revenue in FY15-16 is estimated to be $28,125 ($37,500 x 75%).
- According to the DOR, the Department will require one additional position to effectuate the purposes of this amended bill. Pursuant to the proposed section of Tenn. Code Ann. § 68-211-1103(c) in section 1 of the amended bill, expenses associated with administration of the program will be paid from funds deposited to the TEF. The recurring increase in state expenditures for this position paid from the TEF is estimated to be $54,180; the one-time increase in state expenditures from the TEF associated with the position is estimated to be $5,300.
- The increase in state expenditures from the TEF for FY15-16 is estimated to be $45,936 [$5,300 + ($54,180 x 75%)]; the recurring increase in state expenditures from the TEF beginning in FY16-17 is estimated to be $54,180.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding

Jeffrey L. Spalding, Executive Director

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